



CALPEEK

CALIFORNIA POLITICAL WEEK

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CALPEEK ON VACATION WEEK OF JULY 4TH

We will be on vacation beginning June 30th and will return to work on July 7th. The next issue of *Calpeek* will be mailed on July 10th and it will be dated July 14th. Stay tuned...

CALIF. BUDGET WARS: TRIGGER IS PULLED ON VLF.

Editor's note: With Calif. operating totally on borrowed funds, on June 20th the CA Dept. of Finance (read that as Finance Director Steve Peace) pulled the trigger causing vehicle license fees to roll back to their 1998 level – thus adding about \$4 billion to Calif.'s general fund. This action will have *political consequences*. Here is our update & analysis...

...In the Public Policy Inst. of Calif.'s recent poll, 38% of those questioned favored "pulling the trigger" to roll back the VLF (aka car tax) back to 1998 levels. 58% were opposed and 4% had no opinion. Even among Demos, the current and reduced VLF is very popular and 52% were opposed to the rollback. Some sources say the roll back will insure that the *recall against Gov. Gray Davis(D)* will now qualify for sure. Lots of angry voters...

...There will be a court challenge to the DOF action by the Howard Jarvis Taxpayers Assn(HJTA), but some think the State may be on solid footing. There was a provision in the 1998 law which allowed the VLF cuts to be rolled back if and when the State got into fiscal difficulties. But there's little doubt the VLF is a *regressive tax*, which hits the poor hardest. Some think the average car owner could pay \$120-140 more in VLF fees per year. But others say those figures are high...

...Local government (counties) was mostly cheering when the trigger was pulled because the State returns big chunks of VLF funds to the counties each month – 70% of which goes for public safety. And given the budget impasse in Sacramento, it's likely the VLF will be the only source of revenue lawmakers will have to work with. So Demos were mostly pleased, but they're also watching carefully because the VLF is a hot political issue...

...Publicly, GOP lawmakers (especially conservatives such as State Sen. Tom McClintock) were furious that the trigger had been pulled. Privately, some of these same Republican legislators know that without this extra \$4 billion, there is no hope of solving the budget impasse. Want proof: take a look at the compromise budget proposal offered by Keith Richman(R) and Joe Canciamilla(D). Their plan takes into account that the VLF trigger would be pulled. It's the best plan put forth to solve the crisis...

...FYI: McClintock has formed *Citizens to End the Car Tax* (916)448-9321. He is proposing both a statute and a constitutional amendment to end the VLF. One big problem with the total elimination of the VLF: some counties use the VLF to repay bonds. In Orange Co., all of the VLF funds are used to pay off the county's bankruptcy bonds. If the VLF is killed, bondholders could launch a legal action – and sources say the bondholders are on very solid ground. There are other problems with McC's proposals which *Calpeek* will address in another issue. Stay tuned...

RECALL MADNESS: FEINSTEIN GETS DEMO UNITY AS ISSA AND SIMON CAMPS BEGIN TO BUTT HEADS.

Editor's note: This is the first of two recall stories in this week's issue of *Calpeek*. This analysis focuses on the politics of the recall. The other story is about the numbers. Here's our update & analysis...

...New stories about this attempted recall of Calif. Gov. Gray Davis(D) are breaking about every 2-3 days. Last week, for example, was the news that all of the major Calif. Statewide Demos had declared their intent to not run should the recall qualify. And by all accounts, the individual who pulled this all together was U.S. Sen. Dianne Feinstein(D). DiFi was the last to declare she would not run. It's a big help to Davis and *Calpeek* sources say DiFi has talked with Davis several times in the past 2-3 weeks, basically telling him get it together and fight the recall harder...

...Of course there are some Demo sources who think that if Davis' numbers don't improve by the early fall – and DiFi sees what is happening – that she could change her

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mind and run. Just speculation...

...Meanwhile, *Calpeek* sources say that U.S. Rep. Darrell Issa(R-Vista) has just about finished rounding out his campaign team for the election. Issa already has announced he's a candidate for governor. His team includes savvy GOP strategist Ken Khachigian; day-to-day mgr. Scott Taylor; pollster Bob Moore; GOP media guru Larry McCarthy out of DC; Jim Bieber doing direct mail; and Anne Dunsmore handling fundraising. It's a veteran team and sources say Issa has already put about \$600,000 of his own into the effort. This is on top of what he's given to the *Rescue Calif.* recall drive (more than \$1 million)...

... This new group of consultants will have deal not only with Issa's very conservative voting record, but his past run ins with the law. This includes allegations of auto theft (back in '71 and '72) brought to light in 1998 by both the *L.A. Times* & the *S.F. Examiner*. However, on June 25th, *S.F.Chron's* Carla Marinucci wrote a story which is potentially more damaging than anything previously written. The headline: **Rep. Issa was charged in San Jose auto theft.** It's a very troubling story (dating back to 1979-80) and is must reading. Is this enough to kill the recall drive? NO, but it could have a *chilling impact* Issa's gubernatorial ambitions. Issa denies any wrongdoing...

... Odds of Issa being the only GOPer running for governor in this recall election are slim and none. Last year's GOP gubernatorial nominee, Bill Simon Jr., will make it official sometime very soon, perhaps this coming week. His team is probably all smiles after reading the Marinucci story in the *S.F. Chron*. And don't forget CA State Sen. Tom McClintock(R-Camarillo). He's in there too and he's got himself a great issue: repealing the VLF (the car tax). No word yet about actor Arnold Schwarzenegger, but he'll make a decision after the release of T-3...

...FYI: There's a new poll being touted by Russo for Simon. Why would Russo bother with a new poll by Dr. Gary Lawrence of Orange Co. if Simon weren't running? Lawrence's poll shows 57% YES on the recall vs. 38% NO. And in a 4-person field (Simon & Issa on the GOP side vs. Lt. Gov. Cruz Bustamante and AG Bill Lockyer on the Demo side) it looks like this: Simon 32%, undecided 29%, Bustamante 20%, Lockyer 12% and Issa 6%. Good news for Simon, bad news for Issa. The sample was taken this month among 800 likely voters. While this poll is very interesting, what we're not seeing are DiFi's numbers. How does she do against either Simon or Issa? And why were McC and Arnold left out of this survey? Maybe they weren't, but the results just not reported in Russo's news release. Stay tuned...

RECALL MADNESS: CALPEEK LOOKS AT NUMBERS.

Editor's note: All sorts of numbers have been flying around these past few weeks. But now the official count is in. Here is our analysis & commentary...

...As of *June 16th*, recall supporters had turned in 376,008 signatures to various county registrars, according to the CA Secretary of State's office. The Associated Press surveyed 55 of 58 county election officials and their numbers totaled 389,337. Because this represents 10% of the total number of signatures needed to qualify the recall, CA SOS Kevin Shelley(D) has notified all the county registrars to begin verifying signatures...

... Recall supporters need 897,158 valid signatures by Sept. 2nd to qualify. In reality, they need 1.2 to 1.3 million to be sure their validity rate will put them over the top. Next deadline is *July 16th*. That's when we'll have a good idea if the recall will make the ballot in the fall or March 2, 2004...

... One thing is very obvious from these numbers: recall backers have been cooking their press releases with numbers which are way higher than what was just reported. Example: in *The Insider* (from Russo, Marsh + Rogers) on June 24th, TI reported "Recall Gray Davis has now gathered over 900,000 signatures." Hummmm???

... **Follow the Money:** this is part of the numbers game too. FYI: there is an excellent website which is tracking the recall. www.recallwatch.lobbyingcentral.com. The site is operated by Scott Lay (director of state budget issues for the Community College League of CA)...

◆ ***Taxpayers Against the Recall*** (pro-Davis cmt.) has received \$1,254,001 in contributions.

◆ ***Rescue Calif.*** (Darrell Issa's cmt.) has received \$1,420,714. FYI: most of this has come from Greene Properties (owned by Issa and his wife).

◆ ***Davis Recall*** (Ted Costa's cmt.) has received \$113,950.

◆ ***Recall Gray Davis*** (Howard Kaloogian's cmt.) has received \$70,867.

...FYI: The Issa for Governor Cmt. has taken in \$625,000. All of the money (except for \$25,000) has come from Issa. Stay tuned...

CALIF. BUDGET WARS: WILL SPEAKER WESSON'S DEMO DOG & PONY SHOW HELP SOLVE CRISIS??

Editor's note: In public relations, when you send a spokesperson out on the road to pitch a product or message, this is called a *dog & pony show*. And that's what Democratic Assembly Speaker Herb Wesson is doing with members of his caucus: sending them out on the road to sell the Demo plan for solving the current budget impasse. Here's our analysis & commentary...

...Sacto lobbyists who are very busy these days trying to protect their various interest groups from getting screwed (fiscally), say the Wesson *dog & pony show* was a good idea IF it had been done back in late March or April – to start building a case. In other words, Wesson's road show was too little and way too late. GOP legislative staffers in Sacto labeled Wesson's PR scheme as "*The Magical Mystery Tour*."...

...The Demo spin that the budget crisis can only be solved by spending cut and new taxes may be working with editorial boards, but it hasn't gotten across to Calif. voters. Not yet. On the other hand, the never ending GOP spin that the crisis has been caused only by massive Demo spending has sunk in. In other words, the GOP is winning the spin wars...

...What legislative Demos can't seem to understand is that the GOP lawmakers are so locked into their *no new taxes stand*, that nothing will budge them. Some Demo strategists think the Demos should just continue on with their current tactics and let the State go into fiscal meltdown – hoping for the same outcome as the standoff years ago between then Pres. Bill Clinton(D) and House Speaker Newt Gingrich(R). Clinton didn't cave, the meltdown came and Gingrich and the GOP got hammered. Could the same thing happen in Calif.??? Perhaps...

...Is there any force in Calif. which could cause the GOP to vote for some taxes? Big Calif. city GOP mayors might have some clout, but San Diego Mayor Dick Murphy, Anaheim's Curt Pringle and Fresno's Alan Autry haven't really turned up the heat – and may not. Could public safety groups help? Yes, but cops & sheriffs won't help if their public safety funds are reduced – and right now the CA Senate plan would cut 500 cops statewide, while the CA Assembly's plan would slice 1,000. Meanwhile, the guy in the middle just twists in the wind – Gov. Gray Davis(D), who really needs to get out of Sacramento to sell his plan...

...FYI: On June 24th and 25th the CA State Senate voted

24-14 (both times) on AB 1769 – the State's \$94.1 billion budget. To pass, the budget bill needed 27 votes (a 2/3rds vote). Included in this budget was a temporary ½ cent sales tax to reduce the deficit and pay off the \$11 billion in deficit bonds. This ½ cent sale tax was exempt from Prop. 98 – meaning all the funds would have gone toward cutting the deficit. Stay tuned...

CAMPAIGN 2004: CALIFORNIA INITIATIVE UPDATE.

Editor's note: Here's an update on Calif. initiatives which are either in circulation or are trying to make the March or November 2004 ballot...

◆ *Open Primary Initiative* – Demo Controller Steve Westly all but let the cat out of the bag when he told the *Sacramento BEE*'s Aurelio Rojas (6/21) that he supports the open primary initiative being planned for March or November of 2004. Now the *Ventura Co. Star* (6/25) has given a more detailed account. And *Calpeek* has been in touch with sources close to the proposed initiative...

...Late last year and into the early part of 2003, the Calif. Business Roundtable and the Calif. Chamber of Commerce toyed with an open primary initiative, but backed away when pressured by numerous GOP lawmakers. But sources have told *Calpeek* a redesigned Prop. 198 is in the works (it's been put through a legal washing & dry cleaning) and should be ready for a public debut very soon. Sources connected with this new effort say it is polling at 70% and that there is a wide support – including funding...

...Key supporters of this effort include Demo consultant Garry South, former L.A. Mayor Richard Riordan and Westly. Also deeply involved is Beth Rogers, a GOP businesswoman from Camarillo who ran against U.S. Rep. Lois Capps(D) last year. Rogers also sits on the Chambers' BOD – and sources say other business leaders + organized labor will surface shortly to also back this initiative...

...This newest twist on the open primary would work like a municipal election: voters could vote for any candidate, regardless of party. The top two candidates (running with party labels) would face off in a general election. In very strong GOP districts, it might be two Republicans in a general election. In strong Demo districts, it might be two Democrats facing one another. But unlike a muni contest, no candidate could win without being in a general election runoff – regardless of how many votes he/she received in the primary. One serious flaw: third party candidates probably get the shaft in most House and Legislative races – and even in Statewide races. Stay tuned...

CAMPAIGN DIRECTORY DEADLINE IS JUNE 30th

Note to campaign consultants, fundraisers, pollsters and other campaign pros: **get those questionnaires in ASAP**, if you have not done so. The ad deadline remains June 30th, but we're not anticipating getting the Directory to the printers until mid or late July. Any questions, call Dick Rosengarten at (310)659-0205 or email to Calpeek@aol.com...

DOG DAYS OF SUMMER: POLITICAL SHORT TAKES.

Editor's note: Here are a few items, political & otherwise, worth noting...

■ **Mulholland Predicts** – CA Demo Party political advisor Bob Mulholland told *Calpeek* on the record that U.S. Rep. Darrell Issa(R) won't run for governor if the recall qualifies for March of 2004. Interesting prediction. Recall supporters are pushing hard for a fall election, when Demo turnout might be lighter. Mulholland says Issa left himself some wiggle room in a recent *Orange Co. Register* story, and that's what he's basing his prediction upon. In addition, the Demo Party's #1 spin MD thinks Issa will fold once the negative stories begin to surface...

■ **Feinstein & Boxer Blast FERC** – On June 25th, FERC again put the screws to Calif. by rejecting Calif.'s efforts to renegotiate long term contracts (signed during the height of the 2000-01 energy crisis) with various power companies. The contracts are worth \$13 billion. U.S. Senators Dianne Feinstein and Barbara Boxer have both issued statements blasting FERC's refusal to act. Boxer continues to hold up the appointment of Joseph T. Kiliher as a FERC commissioner. DiFi said in part, "*The evidence of fraud and abuse is extraordinary, yet FERC has not yet proven itself to be an effective regulator. If FERC will not step in, Congress must.*"...

■ **New Demo Poll in New Hampshire** – U.S. Sen. John Kerry(D-MA) lead his Demo rivals in this new Research 2000 poll for *The Concord Monitor* (400 statewide, June 17-19): Kerry 30%, former VT Gov. Howard Dean 21%; U.S. Rep. Dick Gephardt 11%, U.S. Sen. Joe Lieberman 10%, U.S. Sen. John Edwards 3%, U.S. Sen. Bob Graham 2% and U.S. Rep. Dennis Kucinich, Carol Moseley Braun and Al Sharpton at 1% each. 18% were undecided...

■ **Greuel Won't Challenge Padilla** – For months there was tons of speculation and gossip on whether L.A. Councilwoman Wendy Greuel had the votes to replace Alex Padilla as president of the L.A. Council. Greuel threw in the towel a few days ago. Sources say she was one vote shy of a majority. Who was the one swing vote: new L.A. Councilman and former LAPD chief Bernard Parks...

CALPEEK'S NEW JOBS AND PERSONNEL NOTICES.

Editor's note: Here are some items to mark down in your notebook...

● Campaign consultant Mitchell Englander is putting his campaign management business in *hibernation* as he becomes COS to new L.A. Councilman Greig Smith...

● Calif. AG Bill Lockyer(D) has been sworn in as president of the Nat'l Assn. of Attorneys General(NAAG). Lockyer is the 1st Calif. AG to get the top NAAG job...

● The L.A. office of Golin/Harris Internat'l has been awarded PRSA's Bronze Anvil for op-ed writing for Union Bank of CA during last year's YES on Prop. 46 – affordable housing initiative...

● The Alliance fo Automobile Manufacturers has named Eloy Garcia as its new director of CA State Affairs. Garcia had been with Kahl/Pownall Advocates in Sacto...

CALPEEK'S CALENDAR OF POLITICAL EVENTS

June 30	World Affairs Council of Orange Co. honors U.S. Rep. Chris Cox, New Balboa Bay Club, Newport Beach, 6 p.m.
July 23-26	Nat'l Conf. of State Legislatures annual meeting, S.F.
July 26-28	DLC Nat'l Convention, Philadelphia, PA
July 29-Aug. 1	Council of State Govts-West annual meeting, Honolulu, HI. (916)553-4423 for info.
Nov. 4	S.F. Muni Election + other cities

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